
PRELICENSING EDUCATION

EDUCATIONAL OBJECTIVES

California Commercial, Health and Disability Examination

OVERVIEW

Section 1677 of the California Insurance Code requires that the broker-agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient knowledge of insurance and insurance laws. What is "*sufficient knowledge*?" To answer this question, we must first determine what a "typical successful candidate for a broker-agent license" looks like.

For purposes of the prelicensing curriculum and examination, the typical successful applicant is defined as an entry-level employee of an agency or a company. Passing the examination is the completion of an important first step of a lifetime of insurance education and experience for this person. The typical new broker-agent will be trained to sell/service the lines more commonly available, less complex lines first, the other lines later. Sufficient knowledge is what this typical new broker-agent needs to know at the start of one's career.

- (1) The most specific knowledge is required in the following areas:
 - * Commercial Property
 - * Commercial Liability
 - * Commercial Automobile
- (2) To a lesser degree, knowledge is required of:
 - * Commercial Package Policies
 - * Inland and Ocean Marine Coverages
 - * Crime Coverages
 - * Bonds
 - * Umbrella and Excess Liability Policies
 - * Workers' Compensation
 - * Health and Disability Insurance
- (3) Required knowledge of the remaining lines/coverages:
 - * a general understanding of why these lines/coverages may be required
 - * a very general understanding of what they do

All questions are based on "standard" policies"; current editions of Insurance Services Office (ISO) policies will be used as the standard where available.

All objectives for Section I – Commercial Coverages are based on the ISO Commercial Lines program for all coverages available through ISO.

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The objectives for Section I.B4 – Property Indirect Damage Insurance are based on the Business Income Coverage form.

The insurance examination does not measure sales or communications skills, self-management, motivation, knowledge of agency or company procedures or policy rating skills.

EDUCATIONAL OBJECTIVES

The educational objectives are statements of what an applicant must do, under what conditions, and how well to demonstrate sufficient knowledge to pass the licensing examination. There are two types of objectives: the enabling educational objectives and the terminal educational objectives.

THE ENABLING EDUCATIONAL OBJECTIVES

The enabling educational objectives are the individual educational objectives contained on the following pages. They are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187 of the California Code of Regulations. The purpose of these objectives is to:

Express clearly what an applicant must be able to do to show an acceptable level of mastery of each educational objective.

THE EXAMINATION

Examination questions are based on the educational objectives. Mastery of the educational objectives should guarantee success on the examination.

All percentage distributions shown for sections of the Educational Objectives are plus or minus 1%.

THE TERMINAL EDUCATIONAL OBJECTIVE

The terminal objective is the overall objective. The terminal objective is that a Personal Lines Broker-Agent who desires to become a successful applicant for licensing as a Fire and Casualty Broker-Agent will, without any aids (e.g., reference materials, calculators, etc.), meet the following requirement:

He or she will correctly answer a minimum of 70% of the questions on the California Department of Insurance Commercial, Health and Disability examination during the one and one-half (1 1/2) hours allowed for the 60 question multiple-choice examination.

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CODE AND ETHICS

The educational objectives for Code & Ethics are incorporated in the following pages. The individual objectives may be identified by "(CIC XXXX)" or "(Ethics)" or "(Code)." References to "Code" or "CIC" in the educational objectives means the California Insurance Code.

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II. HEALTH AND DISABILITY INCOME INSURANCE (25 percent of questions)

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- C. Disability Income Insurance
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I. COMMERCIAL COVERAGES (75 percent of questions)

I. A. ISO Modular Commercial Lines Program

1. Be able to identify:
 - (a) a description of the modular concept as used in the Commercial Lines Program;
 - (b) the major common modules used in all policies.
2. Be able to identify and apply definitions of the following Common Policy Conditions: Cancellation, Changes / Examination of Your Books and Records / Inspections and Surveys / Premiums / Transfer of Rights and Duties / First Named Insured.
3. For package policies, be able to identify:
 - (a) the minimum requirements for a package policy (modules and coverages);
 - (b) the advantages to insureds;
 - (c) that the same coverages may be written on a monoline basis.

I. COMMERCIAL COVERAGES

I. B. Commercial Property

I. B1. Commercial Property - General

1. Be able to identify and apply definitions of:
 - (a) "you," "your" and "we";
 - (b) the conditions of the Commercial Property Conditions.
2. Be able to identify the purpose of a "Builder's Risk" form.
3. Be able to identify the purpose of a Value Reporting Endorsement.

I. COMMERCIAL COVERAGES

I. B. Commercial Property

I. B2. Building and Personal Property Coverage Form

1. Be able to recognize the principal types of Covered Property and the valuation basis for:
 - (a) Building (dwellings not eligible);
 - (b) Your Business Personal Property including improvements and betterments;
 - (b) Personal Property of Others.

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2. Be able to recognize:
 - (a) Additional Coverages;
 - (b) Coverage Extensions.
3. Under Loss Conditions - Vacancy, be able to recognize:
 - (a) the definition of vacancy;
 - (b) what effect this condition has on the policy;
 - (c) the effects of attaching a vacancy permit to a policy.
4. Be able to:
 - (a) identify reasons for coinsurance (advantages / disadvantages to the insured);
 - (b) apply coinsurance to a described loss.

I. COMMERCIAL COVERAGES

I. B. Commercial Property

I. B3. Causes of Loss Form(s)

1. Be able to recognize situations in which the rights of a mortgage holder are protected, even if an insured's claim is denied.
2. Be able to apply the effect of the exclusion that eliminates concurrent causation from applying to certain perils.
3. Be able to identify the purpose of the Basic, Broad, and Special Causes of Loss Forms and the major differences between the perils insured.
4. In the Causes of Loss coverage part(s), Section B - Exclusions, be able to identify the following excluded loss causes:
 - (a) ordinance or law;
 - (b) earth movement;
 - (c) water.

I. COMMERCIAL COVERAGES

I. B. Commercial Property

I. B4. Property Indirect Damage Insurance

1. Be able to recognize definitions of Business Income and Extra Expense and that both are covered by the Business Income (and extra expense) coverage form.

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2. Be able to identify that coverage is only activated if there is direct physical loss to property at the described premises by a covered peril.
3. Be able to recognize situations in which a business would need Business Income and/or Extra Expense coverage.
4. Be able to identify situations in which a business would need coverage for Business Income from Dependent Properties.

I. COMMERCIAL COVERAGES

I. B. Commercial Property

I. B5. Other endorsements / Coverages

1. Be able to identify why the following forms or coverage options might be used:
 - (a) Leasehold Interest;
 - (b) Blanket, Specific, Schedule Insurance;
 - (d) Ordinance or Law Coverage;
 - (e) Glass Coverage.

I. COMMERCIAL COVERAGES

I. C. Commercial General Liability (CGL)

I. C1. Commercial General Liability - General

1. Be able to identify:
 - (a) the term General Liability;
 - (b) broad general types of loss exposures insured or left for other contracts to insure.
2. Be able to identify the kinds of limits that are listed in the Declarations - Limits of Insurance section.

I. COMMERCIAL COVERAGES

I. C. Commercial General Liability (CGL)

I. C2. CGL Coverage Form (Occurrence)

1. Based on the Commercial General Liability Coverage Form be able to identify and apply:
 - (a) the definitions of Section I Coverage(s) A, B, and C;
 - (b) the definitions of: occurrence, products-completed operations, insured contract, coverage territory, personal injury, bodily injury, property damage.

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2. Be able to identify both the effect of the following exclusions, and alternative forms of insurance coverage:
 - (a) Professional Liability;
 - (b) Liquor Liability;
 - (c) Workers' Compensation;
 - (d) Pollution;
 - (e) Automobile;
 - (f) Care, Custody and Control - Property Damage.

I. COMMERCIAL COVERAGES

I. C. Commercial General Liability (CGL)

I. C3. Professional Liability

1. Be able to recognize reasons why professional liability losses are not covered under CGL policies (because of applicable exclusions or because the loss is not a bodily injury / property damage / personal injury / advertising injury).
2. Be able to identify the professional occupations commonly insured by professional liability policies.
3. Be able to identify what is covered by an Errors or Omissions policy that is not covered by a CGL policy.

I. COMMERCIAL COVERAGES

I. C. Commercial General Liability (CGL)

I. C4. Claims Made

1. Be able to identify the difference in the coverage triggers between an occurrence policy and a claims-made policy.
2. Be able to recognize why some policies are written on a claims-made basis.
3. Be able to apply the definitions of the following terms:
 - (a) Retroactive date;
 - (b) Prior acts coverage (retro date not specified);
 - (c) Tail coverage (mini, midi and maxi [Supplemental Extended Reporting Period]).

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I. COMMERCIAL COVERAGES

I. C. Commercial General Liability (CGL)

I. C5. Umbrella and Excess Liability

1. Be able to identify:
 - (a) the major functions of these policies;
 - (b) the absence of standard policies;
 - (c) the difference between umbrella and excess policies.
2. Be able to identify:
 - (a) underlying policies that are commonly required by the umbrella insurer to be maintained;
 - (b) what a self-insured retention is and how it is applied to a loss.

I. COMMERCIAL COVERAGES

I. D. Commercial Crime

1. Be able to differentiate between "theft," "burglary" and "robbery" as defined in crime insurance contracts.
2. Be able to identify the following crime coverages and recognize why a business would need to purchase them: employee theft, inside the premises-theft of money and securities and outside the premises-theft of money and securities.
3. Be able to differentiate between the discovery and loss sustained forms.

I. COMMERCIAL COVERAGES

I. E. Boiler and Machinery

1. Be able to identify why an insured might need Boiler and Machinery (also known as Equipment Breakdown coverage) coverage even if they have commercial property insurance with Causes of Loss - Special Form.

I. COMMERCIAL COVERAGES

I. F. Commercial Inland Marine

1. Be able to identify:
 - (a) why an insured might need Inland Marine (IM) coverage;
 - (b) common types of property insured using the Commercial Package Policy IM coverage part: (e.g., transit, cargo, or equipment).

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2. For filed forms used with the Commercial Lines Program, be able to identify:
 - (a) the perils commonly insured ("open perils");
 - (b) the most common exclusions.
3. For a business insured with a Building and Personal Property Coverage form, that has a substantial Electronic Data Processing (EDP) exposure, be able to identify the major reasons for considering an Electronic Data Processing policy.

I. COMMERCIAL COVERAGES

I. G. Commercial Auto

I. G1. Commercial Auto - General

1. Be able to identify the effect of the CGL and the Business Auto Policy (BAP) coverage parts using the same definition for "automobile" and "mobile equipment."

I. COMMERCIAL COVERAGES

I. G. Commercial Auto

I. G2. Business Auto Coverage

1. Be able to identify why the following coverages might be needed by an insured:
 - (a) owned autos;
 - (b) hired autos;
 - (c) non-owned autos.
2. Be able to identify each of the following symbols used to specify covered autos on the BAP declaration page: 1, 2, 3, 4, 7, 8, and 9.
3. Be able to identify the effect of the following exclusions and alternative methods of providing insurance coverage:
 - (a) Workers' Compensation;
 - (b) "Operations" and "Completed Operations";
 - (c) Pollution;
 - (d) Care, Custody and Control - Property Damage.
4. Be able to identify the principal physical damage coverages.
5. Be able to identify the effect of the following endorsements:
 - (a) Individual Named Insured endorsement;
 - (b) Drive Other Car Coverage.

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I. COMMERCIAL COVERAGES

I. G. Commercial Auto

I. G3. Garage Auto Coverage

1. Garage Liability covers Garage Operations; be able to identify:
 - (a) the definition of Garage Operations;
 - (b) the four major coverages provided by Garage Liability;
 - (c) reasons for insuring with Garage Liability rather than using General Liability plus Commercial Auto coverage.
2. Be able to distinguish between losses covered by Garagekeepers Legal Liability and Garagekeepers Direct Coverage (primary or excess).

I. COMMERCIAL COVERAGES

I. G. Commercial Auto

I. G4. Truckers Coverage

1. Be able to identify:
 - (a) the definition of "trucker" and the general scope of the Motor Carrier Act of 1980;
 - (b) why a separate automobile program was developed for motor carriers;
 - (c) that except for a few important specialized coverages, and a few other changes, this coverage corresponds to the BAP.

I. COMMERCIAL COVERAGES

I. H. Farm

1. Be able to identify that Farm Insurance can be written on a monoline or package policy providing:
 - (a) both personal and commercial coverages;
 - (b) liability and/or property coverages.
2. For Crop Insurance, be able to identify:
 - (a) why the coverage may be needed;
 - (b) the major perils commonly insured;
 - (c) the role of the federal government.

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I. COMMERCIAL COVERAGES

I. I. National Flood - Commercial

1. Be able to identify the principal commercial flood coverages.
2. Be able to recognize that Business Income and Extra Expense are not available through National Flood Insurance Program (NFIP).
3. Be able to identify that producers have no binding authority with the NFIP.

I. COMMERCIAL COVERAGES

I. J. Businessowners Policy (BOP)

I. J1. BOP - General

1. Be able to identify the:
 - (a) purpose of this program;
 - (b) mandatory coverages;
 - (c) categories of eligible businesses.

I. COMMERCIAL COVERAGES

I. J. Businessowners Policy (BOP)

I. J2. BOP - Property Coverage

1. Be able to differentiate between the coverage provided by the Standard and Special forms.
2. Be able to differentiate between the perils covered in the BOP policies and similar commercial lines forms.
3. Be able to identify important additional coverages included in the BOP that would have to be added to the Commercial Property Policy.

I. COMMERCIAL COVERAGES

I. J. Businessowners Policy (BOP)

I. J3. BOP - Liability Coverage

1. Be able to identify that the coverage and exclusions are similar to that provided by coverages A, B, C of the CGL form.

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I. COMMERCIAL COVERAGES

I. K. Ocean Marine

1. Be able to differentiate between cargo, hull, freight, and protection and indemnity coverages.
2. Be able to recognize the sources of claims for which Protection and Indemnity insurance provides coverage.

I. COMMERCIAL COVERAGES

I. L. Surety Bonds (and General Bond Concepts)

1. Be able to differentiate between the three parties involved in a surety bond.
2. Be able to identify differences between surety bonds and insurance policies with regard to loss payments.
3. Be able to identify the differences between contracts, financial guarantee and faithful performance bonds.

I. COMMERCIAL COVERAGES

I. M. Workers' Compensation - General Concepts

1. Be able to identify the effect on the legal relationship between employer and employee that was intended when workers' compensation laws were written.
2. Be able to identify situations where workers' compensation coverage is required by law and the methods used to provide the coverage.
3. Be able to identify how the coverage provided by a workers' compensation policy in California is determined.
4. Be able to identify a description of the California State Compensation Insurance Fund and who may place business with it (CIC 11784).
5. Be able to identify the four different types of benefits provided.
6. Be able to identify that covered medical expenses do not have time or dollar limits.
7. Be able to identify what Employers Liability coverage is and why it is necessary in addition to workers' compensation (CIC 11750.1[f]).

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8. Be able to identify and apply a definition of the Other States Insurance section of the policy.
9. Identify the voluntary contribution endorsement.
10. Be able to identify what is meant by the term "24 Hour coverage" (CIC 1749.02).
11. Identify the California open rating system.

I. COMMERCIAL COVERAGES

I. N. New Developments - Commercial Lines

1. Legal
2. Legislative
3. Insurance Products and Services

II. HEALTH AND DISABILITY INSURANCE (25 percent of questions)

II. A. Health and Disability Insurance – General

1. Be able to identify a definition and/or apply your understanding of the following:

morbidity	grace period	extension of benefits
waiting period	elimination period	pre-existing conditions
cancelable	noncancelable	guaranteed renewable
stop-loss provision	waiver of premium	coinsurance clause
copayments	types of deductibles	
Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)		
Omnibus Budget Reconciliation Act of 1989 (OBRA)		
Employee Retirement Income Security Act of 1974 (ERISA)		

II. HEALTH AND DISABILITY INSURANCE

II. B. Medical Expense Insurance

1. Be able to identify and differentiate between the major kinds of health providers and the plans they offer.

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2. Be able to identify the causes of loss that are commonly excluded in medical insurance policies.
3. Be able to identify methods being used to contain medical insurance costs.

II. HEALTH AND DISABILITY INSURANCE

II. C. Disability Income Insurance

1. Be able to identify the need for Disability Income Insurance.
2. Be able to distinguish between the definitions of the following kinds of disabilities:
 - (a) Partial and total;
 - (b) Temporary and permanent;
 - (c) Occupational and non-occupational.
3. Be able to recognize:
 - (a) which definition of total disability provides the most coverage;
 - (b) the "social security" definition of total disability.

II. HEALTH AND DISABILITY INSURANCE

II. D. Senior Health Products

1. For Medicare, be able to identify (in general terms):
 - (a) who is eligible for the coverage;
 - (b) the coverage provided by Parts A and B;
 - (c) the relative cost of Parts A and B to the insured;
 - (d) how the coverage is obtained.
2. Be able to identify that Medicare Supplement policies are neither sold nor serviced by the state of federal government and no agent or company may make statements that they represent the Medicare program or any government agency.
3. Be able to identify that there are many restrictions and requirements on the selling of Medicare Supplement policies.
 - (a) Plan A – must offer core package of benefits (CIC 10194.3);
 - (b) Plans A through J - general understanding of differences (CIC 10194.2, 10194.3);
 - (c) Marketing standards (CIC 10197).

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4. Be able to recognize:
- (a) the general type of coverage provided by Long Term Care policies;
 - (b) that agents must comply with stringent California laws pertaining to Long Term Care.

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